

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Munising, Michigan	County Alger
Fiscal Year End 3/31/06	Opinion Date 7/12/06	Date Audit Report Submitted to State 9-29-06 CORRECTED FROM 8-16-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

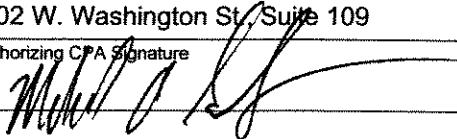
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman, & Company, PLC		Telephone Number 906-225-1166	
Street Address 102 W. Washington St., Suite 109		City Marquette	State MI
Zip 49855			
Authorizing CPA Signature 	Printed Name Michael Alan Greutz	License Number 1101027988	

TOWNSHIP OF MUNISING, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended March 31, 2006

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

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DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Supervisor and Members of
the Township Board of Trustees
Township of Munising, Michigan
Munising, Michigan 49895

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Munising, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township of Munising, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Munising, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Munising, Michigan as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2006 on our consideration of the Township of Munising, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Supervisor and Members of
the Township Board of Trustees

The management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Munising, Michigan's basic financial statements. The individual fund financial statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

July 12, 2006

TOWNSHIP OF MUNISING, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of Munising, Michigan's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2006. Please read it in conjunction with the financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- Net assets for the Township as a whole decreased by \$52,457 or 4 percent as a result of this year's operations.
- During the year, the Township had expenses for governmental activities that were \$525,037 and revenues of \$472,580.
- The General Fund reported a net fund balance of \$252,589. Net change in fund balance was \$32,213 higher than the forecasted decrease of \$199,975.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 7. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or financial position. Over time, increases or decreases in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the overall financial health of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township has no Business-Type Activities.

Reporting the Township's Most Significant Funds

Our analysis of the Township of Munising, Michigan's major funds begins on page 8. The fund financial statements begin on page 13 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township of Munising, Michigan's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- **Governmental funds** – Most of the Township of Munising, Michigan's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township of Munising, Michigan's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Assets and Statement of Activities) and *governmental funds* in a reconciliation which follows the fund financial statements.
- **Proprietary funds** – When the Township of Munising, Michigan charges customers for the services it provides – whether to outside customers – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township of Munising, Michigan's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The Township of Munising, Michigan does not have any proprietary funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Township as Trustee

The Township of Munising, Michigan is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 17. We exclude these activities from the other financial statements because the Township of Munising, Michigan cannot use these assets to finance its operations.

The Township of Munising, Michigan is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township as a Whole

Table I provides a summary of the Township's net assets as of March 31, 2006 and 2005.

Table I Net Assets		
	Governmental Activities – 2006	Governmental Activities – 2005
Current and other assets	\$261,485	\$434,363
Non-current assets	1,196,315	1,166,101
Total Assets	1,457,800	1,600,464
Current liabilities	55,669	78,270
Non-current liabilities	28,447	96,053
Total Liabilities	84,116	174,323
Net Assets:		
Invested in capital assets, net of related debt	1,121,095	1,101,843
Restricted	91,262	-
Unrestricted (deficit)	161,327	324,298
Total Net Assets	\$1,373,684	\$1,426,141

Net assets of the Township of Munising, Michigan's governmental activities stood at \$1,373,684. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$161,327.

The \$161,327 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township of Munising, Michigan as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2006 and 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2
Changes in Net Assets

	Governmental Activities – 2006	Governmental Activities – 2005
Revenues:		
Program Revenues:		
Charges for services	\$18,785	\$22,555
Operating Grants	125,635	15,424
Capital Grants	-	-
General Revenues:		
Property taxes	131,959	209,508
State Sources	186,402	228,936
Interest	6,685	5,744
Miscellaneous	3,114	6,651
Total Revenues	<u>472,580</u>	<u>488,818</u>
Program Expenses:		
Legislative	72,687	54,228
General Services and Administration	141,087	131,099
Public Safety	116,175	111,976
Public Works	122,572	29,315
Community & Economic Dev.	7,431	10,164
Recreation and Culture	65,085	73,028
Other	-	13,363
Total Expenses	<u>525,037</u>	<u>423,173</u>
Excess (deficiency) before transfers	(52,457)	65,645
Transfers	-	-
Increase (decrease) in net assets	(52,457)	65,645
Net assets, beginning, as restated	1,426,141	1,360,496
Net Assets, Ending	<u>\$1,373,684</u>	<u>\$1,426,141</u>

The Township of Munising, Michigan's total revenues were \$472,580. The total cost of all programs and services was \$525,037, leaving a decrease in net assets of \$52,457. Our analysis below separately considers the operations of governmental activities:

Governmental Activities

The net assets of the Township of Munising, Michigan's governmental activities decreased \$52,457 for the year ended March 31, 2006.

The Net Loss was made up from \$167,762 in from Governmental Funds Net Loss, Depreciation expense of \$92,185, reclassifying capital outlay to capital asset of \$122,399 and reclassify of principal of \$85,091.

THE TOWNSHIP'S FUNDS

As the Township of Munising, Michigan completed the year, its governmental funds (as presented in the balance sheet on page 13 reported a combined fund balance of \$252,589 which is a decrease of \$167,762 from the beginning of the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The \$167,762 in Government Fund Net Loss was due from expending \$105,909 on dust control and road improvement projects, loss of \$69,283 in Fire Truck Mileage that expired in the prior year, leaving \$7,430 gain from all other activities.

General Fund Budgetary Highlights

Over the course of the year, the Township of Munising, Michigan Board revised the budget a few times.

Amendments resulted in a net increase of \$0.

With these adjustments, actual charges to expenditures were \$43,994 less than the final amended budget. Conversely, revenues were \$11,781 less than the final budget projection.

There are two major reasons revenue and expenditures were less than budgeted. \$37,000 in grant reimbursements and \$50,000 in expense relating to the Boardwalk Project were not completed during the fiscal year, creating a variance in budget verse actual. Additional, \$41,000 for the fire truck payment and \$12,000 for dust control were not budgeted for during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the Township of Munising, Michigan had \$1,196,315 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3 Capital Assets at Year-End (Net of Depreciation)		
	Governmental Activities – 2006	Governmental Activities – 2005
Land	\$75,001	\$75,001
Land improvements	324,699	224,800
Buildings and improvements	508,775	526,300
Equipment and furnishings	287,840	340,000
	<u>\$1,196,315</u>	<u>\$1,166,101</u>

The Township of Munising, Michigan purchased new cascade system for the Fire Department for \$7,300 paid from fire department savings, sold an old fire truck for new gain of \$1,500 and capitalized the completed portion of the Boardwalk Project that was partially grant reimbursed for \$115,099. Depreciation expense for the year was \$92,185.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At end of the fiscal year, the Township of Munising, Michigan had \$75,220 in bonds outstanding as depicted in Table 4 below.

Table 4 Outstanding Debt at Year-End		
	Governmental Activities – 2006	Governmental Activities – 2005
Building Loan	\$75,220	\$119,478
Fire Truck Loan	-	40,833
Total	\$ 75,220	\$160,311

The Township of Munising, Michigan had no new debt in the current year and made principal payments of \$85,091.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township of Munising, Michigan's budget for the year ending March 31, 2007 we looked at the past year's budget and actual amounts, and did our budget for 2007 with some minor adjustments.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township of Munising, Michigan's finances and to show the township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township of Munising, P.O. Box 42, Wetmore, MI 49895.

Township of Munising, Michigan

STATEMENT OF NET ASSETS

March 31, 2006

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current Assets:		
Cash and investments	\$ 190,277	\$ 190,277
Receivables (net)	71,208	71,208
TOTAL CURRENT ASSETS	261,485	261,485
Non-current assets:		
Land and construction in progress	75,100	75,100
Other capital assets	1,722,800	1,722,800
Accumulated depreciation	(601,585)	(601,585)
Total Capital Assets	1,196,315	1,196,315
TOTAL NON-CURRENT ASSETS	1,196,315	1,196,315
TOTAL ASSETS	1,457,800	1,457,800
LIABILITIES:		
Current Liabilities:		
Accounts payable	-	-
Accrued liabilities	8,896	8,896
Deferred revenue	-	-
Current portion of loans payable	46,773	46,773
Other current liabilities	-	-
TOTAL CURRENT LIABILITIES	55,669	55,669
Non-current Liabilities:		
Loans payable	28,447	28,447
TOTAL NON-CURRENT LIABILITIES	28,447	28,447
TOTAL LIABILITIES	84,116	84,116
NET ASSETS		
Invested in capital assets net of related debt	1,121,095	1,121,095
Restricted for:		
Projects	91,262	91,262
Unrestricted	161,327	161,327
TOTAL NET ASSETS	\$ 1,373,684	\$ 1,373,684

The accompanying notes are an integral part of these financial statements.

Township of Munising, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended March 31, 2006

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Total
Primary Government:						
Governmental Activities:						
Legislative	\$ 72,687	\$ -	\$ -	\$ -	\$ (72,687)	\$ (72,687)
General services and administration	141,087	-	11,500	-	(129,587)	(129,587)
Public safety	116,175	-	26,040	-	(90,135)	(90,135)
Public works	122,572	15,216	2,995	-	(104,361)	(104,361)
Community and economic development	7,431	3,569	-	-	(3,862)	(3,862)
Recreation and culture	65,085	-	85,100	-	20,015	20,015
Other	-	-	-	-	-	-
Total Governmental Activities	525,037	18,785	125,635	-	(380,617)	(380,617)
TOTAL PRIMARY GOVERNMENT	\$ 525,037	\$ 18,785	\$ 125,635	\$ -	\$ (380,617)	\$ (380,617)
General Revenues:						
Taxes					131,959	131,959
Unrestricted State sources					186,402	186,402
Interest and investment earnings					6,685	6,685
Miscellaneous					3,114	3,114
Transfers					-	-
TOTAL GENERAL REVENUES AND TRANSFERS					328,160	328,160
CHANGE IN NET ASSETS					(52,457)	(52,457)
Net assets, beginning of year					1,426,141	1,426,141
NET ASSETS, END OF YEAR					\$ 1,373,684	\$ 1,373,684

The accompanying notes are an integral part of these financial statements.

Township of Munising, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2006

	General Fund	Total Governmental Funds
ASSETS		
Cash and equivalents	\$ 190,277	\$ 190,277
Receivables	65,585	65,585
Taxes receivable	5,623	5,623
Due from other funds	-	-
TOTAL ASSETS	\$ 261,485	\$ 261,485
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ -	\$ -
Due to other funds	-	-
Accrued payroll and related	8,896	8,896
Deferred revenue	-	-
TOTAL LIABILITIES	8,896	8,896
FUND BALANCE:		
Restricted for:		
Fire truck purchase	92	92
Cemetery	500	500
Recreation	14,418	14,418
Road improvements	13,902	13,902
Fire department	62,350	62,350
Unreserved, reported in:		
General fund	161,327	161,327
TOTAL FUND BALANCE	252,589	252,589
TOTAL LIABILITIES AND FUND BALANCE	\$ 261,485	\$ 261,485

The accompanying notes are an integral part of these financial statements.

Township of Munising, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2006

Total Fund Balances for Governmental Funds		\$ 252,589
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		1,196,315
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Current portion of bonds payable	46,773	
Bonds payable	28,447	<u>(75,220)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 1,373,684</u>

The accompanying notes are an integral part of these financial statements.

Township of Munising, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended March 31, 2006

	General Fund	Total Governmental Funds
REVENUES:		
Taxes	\$ 131,959	\$ 131,959
Licenses and permits	-	-
State sources	300,537	300,537
Local sources	11,500	11,500
Charges for services	18,785	18,785
Interest	6,685	6,685
Other	3,114	3,114
TOTAL REVENUES	472,580	472,580
EXPENDITURES:		
Current operations:		
Legislative	72,687	72,687
General services and administration	170,695	170,695
Public safety	104,848	104,848
Public works	122,572	122,572
Community and economic development	7,431	7,431
Recreation and culture	162,109	162,109
Other	-	-
Capital outlay	-	-
Debt service	-	-
TOTAL EXPENDITURES	640,342	640,342
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(167,762)	(167,762)
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers (out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
CHANGE IN FUND BALANCE	(167,762)	(167,762)
Fund balance, beginning of year	420,351	420,351
FUND BALANCE, END OF YEAR	\$ 252,589	\$ 252,589

The accompanying notes are an integral part of these financial statements.

Township of Munising, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds

\$ (167,762)

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 122,399	
Depreciation expense	<u>(92,185)</u>	30,214

Repayment of loan principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.

85,091

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (52,457)

The accompanying notes are an integral part of these financial statements.

Township of Munising, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

March 31, 2006

	<u>Agency Funds</u>
ASSETS:	
Cash and investments	<u>\$ -</u>
TOTAL ASSETS	<u><u>\$ -</u></u>
LIABILITIES:	
Due to other funds	<u>\$ -</u>
Due to others	<u>-</u>
TOTAL LIABILITIES	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MUNISING, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township of Munising, Michigan have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

The Township of Munising, Michigan's financial statements present the Township of Munising, Michigan (the primary government). In evaluating the Township of Munising, Michigan as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township of Munising, Michigan may or may not be financially accountable and, as such, be includable within the financial statements.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Township of Munising, Michigan's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township of Munising, Michigan does not have any activity that is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide Statement of Activities reports both the gross and net cost of each of the Township of Munising, Michigan's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.)

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the Township of Munising, Michigan as an entity and the change in the Township of Munising, Michigan's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- **General Fund** – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to March 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Munising Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 2. The following considerations must be reviewed in determination of transfer approvals:
 - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the Township?
 - c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- f. The Township of Munising, Michigan adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

Cash Equivalents and Investments – For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	25 years
Building, structures and improvements	25-40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5-10 years
Infrastructure	20-50 years

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Long-Term Liabilities – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Compensated Absences – The Township accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Interfund Activity – Interfund activity is reported as either, loans, services provided reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government from the Statement of Net Assets:

	Primary Government	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	\$ 190,277	\$ -	\$ 190,277
Investments	-	-	-
	<u>190,277</u>	<u>-</u>	<u>190,277</u>
Restricted:			
Cash and cash equivalents	-	-	-
Investments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 190,277</u>	<u>\$ -</u>	<u>\$ 190,277</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a deposit policy for custodial credit risk. The carrying amount of the primary government and fiduciary fund's deposits with financial institutions was \$190,277 and the bank balance was \$ 400,560. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 200,000
Uncollateralized and uninsured	200,560
TOTAL	<u>\$ 400,560</u>

Investments

As of March 31, 2006, the Township did not have any investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

The Township has no investment policy that would further limit its investment choices. The Township's investments are rated as noted above. Ratings are not required for the Township's investment in equity-type funds. The Township's investments are in accordance with statutory authority.

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer.

NOTE C – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, 2005	Additions	Disposals	Balance at March 31, 2006
GOVERNMENTAL ACTIVITIES:				
Land	\$75,001	\$99	\$-	\$75,100
Total Capital Assets, not being depreciated	75,001	99	-	75,100
Land improvements	275,000	115,000	-	390,000
Buildings and improvements	701,000	-	-	701,000
Furniture and equipment	664,500	7,300	40,000	631,800
Total Capital Assets being depreciated	1,640,500	122,399	40,000	1,722,800
Less Accumulated Depreciation:				
Land improvements	(50,200)	(15,200)	-	(65,400)
Buildings and improvements	(174,700)	(17,525)	-	(192,225)
Furniture and equipment	(324,500)	(59,460)	40,000	(343,960)
Total Accumulated Depreciation	(549,400)	(92,185)	40,000	(601,585)
Governmental Activities Capital Assets, Net	\$1,166,101	\$ 30,214	\$-	\$1,196,315

A depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$ 14,650
Public Safety	59,460
Recreation and Culture	18,075
Total	<u>\$ 92,185</u>

NOTE D – LONG-TERM DEBT:

	Principal	Interest	Total
2006-2007	\$ 46,773	\$ 2,991	\$ 49,764
2007-2008	28,447	582	29,029
TOTALS	<u>\$ 75,220</u>	<u>\$ 3,573</u>	<u>\$ 78,793</u>

The Note originally issued for \$381,392 and dated October 22, 1997 for the construction of a new town hall with payments due on the 22nd of each month and bears a 5.54% interest rate.

NOTE D – LONG-TERM DEBT (Continued):

Changes in long-term debt principal during the period ended March 31, 2006 are summarized as follows:

	April 1, 2005	Additions	Subtractions	March 31, 2006
Governmental Activities:				
Fire Truck Loan	\$ 40,833	\$ -	\$ 40,833	\$ -
Building Loan	119,478	-	44,258	75,220
Total Governmental Activities	160,311	-	85,091	75,220
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	<u>\$160,311</u>	<u>\$ -</u>	<u>\$ 85,091</u>	<u>\$ 75,220</u>

NOTE E – PROPERTY TAXES:

The Township's property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Township's 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Local Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2005 taxable valuation of the Township totaled \$55,263,091, on which ad valorem taxes levied consisted of .9077 mills for the Local Governmental Unit operation purposes which is recognized in the General Fund financial statements as revenue.

NOTE F – CONTINGENT LIABILITIES:

Risk Management - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE G – EXCESS EXPENDITURES OVER APPROPRIATIONS:

Public Act 621 of 1978, Section 18 (1), as amended, provides that a Township shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Townships actual expenditures and budgeted expenditures for the General Fund and Special Revenue Funds have been shown on a functional basis.

The approved budgets to the Township General and Special Revenue Funds were adopted on an activity and/or program level. During the year ended March 31, 2006, the Township incurred functional expenditures which were in excess of the amounts appropriated as follows:

Fund	Final Amended Budget	Expenditure	Variance
General:			
Supervisor	\$13,500	\$ 14,079	\$ 579
Board of Review	1,100	1,193	93
Fire Department	73,961	104,848	30,887
Streets	93,575	105,909	12,334

**REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION**

Township of Munising, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2006

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 112,000	\$ 112,000	\$ 131,959	\$ 19,959
State sources	337,961	337,961	300,537	(37,424)
Local sources	5,000	5,000	11,500	6,500
Charges for services	17,000	17,000	18,785	1,785
Interest and rents	2,400	2,400	6,685	4,285
Other revenues	-	10,000	3,114	(6,886)
TOTAL REVENUES	474,361	484,361	472,580	(11,781)
EXPENDITURES:				
Legislative	74,300	74,300	72,687	1,613
General services and administration	174,500	188,100	170,695	17,405
Public safety	73,961	73,961	104,848	(30,887)
Public works	99,272	111,975	122,572	(10,597)
Community and economic development	12,000	12,000	7,431	4,569
Recreation and culture	214,700	198,600	162,109	36,491
Other	25,600	25,400	-	25,400
TOTAL EXPENDITURES	674,333	684,336	640,342	43,994
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(199,972)	(199,975)	(167,762)	32,213
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	(199,972)	(199,975)	(167,762)	32,213
Fund balance, beginning of year	420,351	420,351	420,351	-
FUND BALANCE, END OF YEAR	\$ 220,379	\$ 220,376	\$ 252,589	\$ 32,213

Other Supplemental Information

Township of Munising, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Taxes:			
Current levy	\$ 70,000	\$ 45,343	\$ (24,657)
Delinquent taxes	-	5,623	5,623
Commercial forest reserve	-	3,516	3,516
Swamp tax	36,000	36,938	938
National forest reserve	-	13,779	13,779
Payment in-lieu of tax	-	5,702	5,702
Tax collection fees	6,000	21,058	15,058
Total Taxes	<u>112,000</u>	<u>131,959</u>	<u>19,959</u>
State Sources:			
State revenue sharing	180,000	186,402	6,402
Annual maintenance	-	2,995	2,995
Grants	157,961	111,140	(46,821)
Total State Sources	<u>337,961</u>	<u>300,537</u>	<u>(37,424)</u>
Local Sources:			
2% gaming monies	5,000	11,500	6,500
Total Local Sources	<u>5,000</u>	<u>11,500</u>	<u>6,500</u>
Charges for Services:			
Zoning	3,000	3,569	569
Landfill	14,000	15,216	1,216
Total Charges for Services	<u>17,000</u>	<u>18,785</u>	<u>1,785</u>
Interest and Rents:			
Interest	1,400	3,415	2,015
Rents	1,000	3,270	2,270
Total Interest and Rents	<u>2,400</u>	<u>6,685</u>	<u>4,285</u>
Other Revenues:			
Miscellaneous other	10,000	3,114	(6,886)
Total Other Revenues	<u>10,000</u>	<u>3,114</u>	<u>(6,886)</u>
TOTAL REVENUES	<u>484,361</u>	<u>472,580</u>	<u>(11,781)</u>

Township of Munising, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	\$ 74,300	\$ 7,817	\$ 66,483
Supplies	-	796	(796)
Other services and charges	-	64,074	(64,074)
TOTAL LEGISLATIVE	<u>74,300</u>	<u>72,687</u>	<u>1,613</u>
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	13,500	10,525	2,975
Supplies	-	79	(79)
Other services and charges	-	3,475	(3,475)
Total Supervisor	<u>13,500</u>	<u>14,079</u>	<u>(579)</u>
Clerk:			
Personnel services	27,500	23,366	4,134
Supplies	-	797	(797)
Other services and charges	-	1,516	(1,516)
Total Clerk	<u>27,500</u>	<u>25,679</u>	<u>1,821</u>
Audit and Legal			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	26,000	21,624	4,376
Total Audit and Legal	<u>26,000</u>	<u>21,624</u>	<u>4,376</u>
Board of Review:			
Personnel services	1,100	628	472
Supplies	-	19	(19)
Other services and charges	-	546	(546)
Total Board of Review	<u>1,100</u>	<u>1,193</u>	<u>(93)</u>
Treasurer:			
Personnel services	21,000	14,728	6,272
Supplies	-	1,728	(1,728)
Other services and charges	-	4,474	(4,474)
Total Treasurer	<u>21,000</u>	<u>20,930</u>	<u>70</u>

Township of Munising, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Assessor:			
Personnel services	\$ 25,000	\$ 22,667	\$ 2,333
Supplies	-	34	(34)
Other services and charges	-	2,234	(2,234)
Total Assessor:	<u>25,000</u>	<u>24,935</u>	<u>65</u>
Elections:			
Personnel services	3,000	1,165	1,835
Supplies	-	670	(670)
Other services and charges	-	49	(49)
Total Elections	<u>3,000</u>	<u>1,884</u>	<u>1,116</u>
Township Hall and Grounds:			
Personnel services	70,000	1,629	68,371
Supplies	-	263	(263)
Other services and charges	-	7,865	(7,865)
Debt service	-	49,764	(49,764)
Total Township Hall and Grounds	<u>70,000</u>	<u>59,521</u>	<u>10,479</u>
Cemetery:			
Personnel services	1,000	531	469
Supplies	-	-	-
Other services and charges	-	319	(319)
Total Cemetery	<u>1,000</u>	<u>850</u>	<u>150</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>188,100</u>	<u>170,695</u>	<u>17,405</u>
PUBLIC SAFETY:			
Fire Department:			
Personnel services	73,961	21,269	52,692
Supplies	-	1,514	(1,514)
Other services and charges	-	40,963	(40,963)
Debt service	-	41,102	(41,102)
Total Fire Department	<u>73,961</u>	<u>104,848</u>	<u>(30,887)</u>
TOTAL PUBLIC SAFETY	<u>73,961</u>	<u>104,848</u>	<u>(30,887)</u>

Township of Munising, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
PUBLIC WORKS:			
Streets:			
Other services and charges	\$ 93,575	\$ 105,909	\$ (12,334)
Total Streets	<u>93,575</u>	<u>105,909</u>	<u>(12,334)</u>
Streetlights:			
Other services and charges	14,000	12,919	1,081
Total Refuse Collection	<u>14,000</u>	<u>12,919</u>	<u>1,081</u>
Sanitation:			
Other services and charges	4,400	3,744	656
Total Refuse Collection	<u>4,400</u>	<u>3,744</u>	<u>656</u>
TOTAL PUBLIC WORKS	<u>111,975</u>	<u>122,572</u>	<u>(10,597)</u>
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Planning and Zoning Commission:			
Personnel services	12,000	5,926	6,074
Supplies	-	20	(20)
Other services and charges	-	1,485	(1,485)
Total Planning and Zoning Commission	<u>12,000</u>	<u>7,431</u>	<u>4,569</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>12,000</u>	<u>7,431</u>	<u>4,569</u>
RECREATION AND CULTURE:			
Parks and Recreation:			
Personnel services	198,600	3,582	195,018
Supplies	-	59	(59)
Other services and charges	-	158,468	(158,468)
Total Parks and Recreation	<u>198,600</u>	<u>162,109</u>	<u>36,491</u>
TOTAL RECREATION AND CULTURE	<u>198,600</u>	<u>162,109</u>	<u>36,491</u>
OTHER:			
Fringe Benefits:			
Social security	15,000	-	15,000
Retirement	-	-	-
Total Fringe Benefits	<u>15,000</u>	<u>-</u>	<u>15,000</u>

Township of Munising, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Insurance and bonds	\$ -	\$ -	\$ -
Miscellaneous	10,400	-	10,400
TOTAL OTHER	<u>25,400</u>	<u>-</u>	<u>25,400</u>
TOTAL EXPENDITURES	<u>684,336</u>	<u>640,342</u>	<u>43,994</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(199,975)</u>	<u>(167,762)</u>	<u>32,213</u>
OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	-	-
Transfers in	-	-	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	(199,975)	(167,762)	32,213
Fund balance, beginning of year	<u>420,351</u>	<u>420,351</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 220,376</u></u>	<u><u>\$ 252,589</u></u>	<u><u>\$ 32,213</u></u>

Township of Munising, Michigan

FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

March 31, 2006

	<u>Tax Collection Fund</u>	<u>Total</u>
ASSETS		
Cash and equivalents	\$ -	\$ -
Due from other funds	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES		
Due to other funds	\$ -	\$ -
Due to others	-	-
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>

Compliance Supplements



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN

ESCANABA

IRON MOUNTAIN

KINROSS

MARQUETTE

WISCONSIN

GREEN BAY

MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Supervisor and Township Board of Trustees
Township of Munising, Michigan
Wetmore, Michigan 49895

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Munising, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township of Munising, Michigan's basic financial statements and have issued our report thereon dated July 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Munising, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township of Munising, Michigan's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. Instances of reportable conditions are described in a separate letter to management dated July 12, 2006.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Munising, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Governmental Auditing Standards*. Instances of non-compliance are described in a separate letter to management dated July 12, 2006.

To the Supervisor and Township Board of Trustees
Township of Munising, Michigan
Wetmore, Michigan 49895

This report is intended solely for the information and use of the audit committee, management, and Township Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

July 12, 2006



ANDERSON, TACKMAN & COMPANY, P.L.C.

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Township of Munising, Michigan ***Report to Management Letter*** ***For the Year Ended March 31, 2006***

To the Honorable Supervisor
And Township Board
Township of Munising, Michigan
PO Box 42
Wetmore, MI 49895

In planning and performing our audit of the financial statements of the Township of Munising, Michigan for the year ended March 31, 2006; we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could affect the Township of Ishpeming, Michigan's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Instances of Non-Compliance

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available un-appropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures, shall be filed with the State Treasurer and reported to the Attorney General.

To the Honorable Supervisor and Members of
The Township Board
Township of Munising, Michigan

The Township was found to be in violation of the legal and contractual provisions of the Uniform Budgeting and Accounting Act (Public Act 621) in certain individual funds as enumerated upon in the Footnotes of the financial statements.

Reportable Conditions

941 Issue

When reviewing the 941's, we noted that one quarter was completed with incorrect amounts. This could lead to problems with the IRS in determining payment for actual tax payments in the future. We recommend that the 941's be reviewed for accuracy before being filed.

General Ledger

When reviewing the client general ledger we noted that the trial balance was out of balance due to missing information from missing checks issued after the board meeting, as well as activity from a few bank accounts was missing. This would provide incorrect financial statements. We recommend that all activity be entered into the general ledger on a monthly basis.

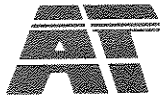
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This report is intended solely for the information and use of the Township of Munising, Michigan's board, management, and other legislative or regulatory body and is not intended to be and should not be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Township of Munising, Michigan's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLC
Certified Public Accountants

July 12, 2006



ANDERSON, TACKMAN & COMPANY, P.L.C.

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MILWAUKEE

July 12, 2006

To the Honorable Supervisor and Township Board
Of Munising Township, Michigan
PO Box 42
Wetmore, MI 49895

We have audited the financial statements of the Township of Munising; Michigan for the year ended March 31, 2006, and has issued our report thereon dated July 12, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Munising, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed test of the Township of Munising, Michigan's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township of Munising, Michigan are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township of Munising, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

To the Honorable Supervisor and Township Board
Of Munising Township, Michigan

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Munising; Michigan's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of Munising, Michigan, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of Munising, Michigan's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Munising, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the Township of Munising, Michigan Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC

Certified Public Accountants